

SPECIAL BANK ACCOUNT AGREEMENT FOR USE WITH THE
CHECKS-PAID-METHOD OF LETTER OF CREDIT FINANCING

This agreement is entered into this First day of October 1998, between the UNITED STATES OF AMERICA, represented by the Department of Energy (hereinafter referred to as DOE); Battelle Memorial Institute, corporation/legal entity existing under the laws of the State of Ohio (hereinafter referred to as the Contractor); and U. S. Bank of Washington, National Association, a banking corporation wholly owned by U. S. Bancorp but existing under the laws of the State of Washington, located at Richland, Washington (hereinafter referred to as the Bank).

RECITALS

(a) By mutual agreement of the parties, this Special Bank Account Agreement supersedes and replaces all Special Bank Account Agreements to which this Contractor, DOE, and the Bank have been parties. '

(b) On the effective date of December 30, 1964, DOE and the Recipient entered into Contract(s) No. DE-AC06-76RL01830, or a Supplemental Agreement(s) thereto, providing for transfer of funds on a payments-cleared basis.

(c) DOE requires that amounts transferred to the Contractor thereunder be deposited in a Special Demand Deposit Account at a financial institution covered by the U. S. Department of Treasury-approved Government deposit insurance organizations that are identified in I TFM 6-9000; separate from the Contractor's general or other funds; and the parties are agreeable to so depositing said amounts with the Bank.

(d) The special demand deposit account shall be designated Battelle Memorial Institute, Purchase Draft, Salary, and Contract Accounts.

COVENANTS

In consideration of the foregoing, and for other good and valuable considerations, it is agreed that:

(1) The Government shall have a title to the credit balance in said accounts to secure the repayment of all funds transferred to the Contractor and said title shall be superior to any lien or claim of the Bank with respect to such accounts.

(2) The Bank will be bound by the provisions of said contract(s) between DOE and the Contractor relating to the transfer of funds and withdrawal of funds from the special demand deposit account, which are hereby incorporated into this Agreement by reference, but the Bank shall not be responsible for the application of funds withdrawn from said accounts. After receipt by the bank of written directions from DOE Contracting Officer, the Bank shall act thereon and shall be under no liability to any party hereto for any action taken in accordance with the said written directions.

(3) The DOE, or its authorized representatives, shall have access to the financial records maintained by the Bank with respect to such special demand deposit account at all reasonable times and for all reasonable purposes, including, without limitation to, the inspection or copying of such financial records and any or all memoranda, payment requests, correspondence, or documents pertaining thereto. Such financial records shall be preserved by the Bank for a period of six (6) years after the final payment under this Agreement.

(4) In the event of the service of any writ of attachment, levy of execution, or commencement of garnishment proceedings with respect to the special demand deposit account, the Bank will promptly notify the Department of Energy at the Richland Operations Office, P.O. Box 550, Richland, Washington 99352.

(5) DOE shall authorize funds that shall remain available to the extent that obligations that have been incurred in good faith thereunder by the Contractor [Battelle Memorial institute]) to the Bank for the benefit of the special demand deposit account. The Bank agrees to honor upon presentation for payment all payments issued by the Contractor and to restrict all withdrawals against the funds authorized to an amount sufficient to maintain the average daily balance in the special demand deposit account in a net positive as close to zero as administratively possible.

The Bank agrees to service the account in this manner based on the requirements and specifications contained in the DOE solicitation DE-RP06-95RL13170 dated April 12, 1995, in consideration of the placement by DOE of a noninterest-bearing time deposit in an amount agreed upon as shown in the DOE FY 1998 third quarter, quarterly adjustment to the non interest-bearing time deposit account. The Bank agrees that per item costs, detailed in the form "Schedule of Bank Processing Charges," contained in the Bank's foresaid bid will remain constant during the term of this Agreement. The Contractor will withdraw \$2,715,000 in funds from the special demand deposit account in the Bank. This account will hereinafter be defined as the time deposit account. The funds in the time deposit account will remain on deposit and shall not be withdrawn or used for any purpose without the authorization of DOE. The amount of the deposit may be adjusted upward or downward but only with the approval of DOE.

(6) The Bank will post collateral, acceptable under Department of Treasury Circular No. 176, with the Federal Reserve Bank in an amount equal to the net balances (including the noninterest-bearing time deposit account) in all of the accounts included in this Agreement.

(7) This Agreement, with all its provisions and covenants, shall be in effect for a term of one year, beginning on the first day of October 1998, and ending through the thirtieth day of September 1999.

- (a) DOE may extend the term of this Agreement for one additional one year term by written notice to the Contractor and the Bank provided that DOE shall give the Contractor and Bank a preliminary written notice of its intent at least 90 days before this Agreement expires. The preliminary notice does not Commit DOE to an extension.

- (b) If the DOE exercises this option, the extended agreement shall be considered to include this option provision.
- (c) The duration of the Agreement, including the exercise of any options under this Covenant, shall not extend past September 30, 2000.

(8) DOE, or the Contractor may terminate this Agreement at any time within the agreement period submitting written notice to the other parties 90 (ninety) days prior to the desired termination date. The specific provisions for operating the account during the 90 (ninety) day period are contained in Covenant (11).

(9) DOE or the Contractor may terminate this Agreement at any time within the agreement period upon 30 days written notice to the Bank if DOE or the Contractor, or both parties find that the Bank has failed to substantially perform its obligations under this Agreement or that the Bank is performing its obligations in a manner which precludes administering the program in a effective and efficient manner or that precludes the effective utilization of the Government's cash resources.

(10) Notwithstanding the provisions of Covenants 8 and 9, in the event the contract (referenced in Recital (b)) between the DOE and the Contractor is not renewed or is terminated, this Agreement between DOE, the Contractor and the Bank will terminate automatically upon the delivery of written notice to the Bank, and if there is a successor contractor, arrangements will be made for a new Agreement with said successor contractor.

(11) In the event of termination or expiration the Bank agrees to retain the Contractor's special demand deposit account for an additional 90-day period to clear outstanding payment items. Within seven (7) days of expiration of the agreement an analysis of the special demand deposit account shall be made by the DOE to determine whether an insufficient or excessive balance was maintained in the time deposit account to compensate the Bank for services rendered up to the expiration date.

- (a) If the analysis indicates that the Bank has been insufficiently compensated for services rendered up to the expiration of the Agreement:
 - 1. Sufficient Federal funds to reimburse the Bank for prior cumulative loss of earning, will be maintained during this 90-day period; and
 - 2. Sufficient Federal funds to compensate the bank for services rendered will be maintained on deposit in the time deposit account.
- (b) If the analysis indicates that the Bank has been overcompensated for services rendered up to the expiration of the Agreement, DOE shall adjust the time deposit account for an amount equal to cumulative excess compensation less compensation for estimated services to be rendered during the 90-day period.

- (c) If cumulative excess compensation is not sufficient to compensate the Bank for services rendered during the 90-day, adjustments will be made to the time deposit account to compensate the Bank for the difference between the cost of services rendered during the 90-day period and the cumulative excess compensation.

This agreement shall continue in effect for the 90-day additional period with the exception of the following:

1. The term of this agreement--Covenant 7
2. Termination of Agreement--Covenant 8 and 9.

All terms and conditions of the aforesaid bid submitted by the Bank which are not inconsistent with this 90-day additional term shall remain in effect for this period.

The Bank has submitted the forms entitled "Technical Representations and Certifications," "Schedule of Bank Processing Charges," "Calculation of Time Account Balance Required," and Summary of Time Account Balance Required-Consolidation." These forms have been accepted by the Contractor and the Government and are incorporated herein with the document entitled "Financial Institution's information on the Payments Cleared Financing Arrangement" as a integral part of this agreement.

Any direction received by the Bank from DOE which alters any portion of the terms and conditions of this agreement, including the amount of the time deposit agreed to herein, shall not be valid unless signed by the Contracting Officer.

IN WITNESS WHEREOF the parties hereto have caused this Agreement which consists of 6 pages including the signature pages, to be executed as of the day and year first above written.

THE UNITED STATES OF AMERICA

By Theodore N. Turpin, Jr., Contracting Officer (10/20/98)

BATTELLE MEMORIAL INSTITUTE

By Jerome R. Bahlmann, Senior Vice President and General Counsel (09/03/98)

505 King Avenue, Columbus, OH 43201

U.S. BANK

By Sharon K. Richard, Vice President (10/08/98)

1420 5th Avenue, WWH 378, Seattle, WA 98101

NOTE--Contractor, if a corporation, should cause the following Certificate to be executed under its corporate seal, provided that the same officer shall not execute both the Agreement and the Certificate

CERTIFICATE

I, Daniel W. O'Bryan , certify that I am the Assistant Treasurer of the corporation named as Contractor herein; that Jerome R. Bahlmann, who signed this Agreement on behalf of the Contractor was then Senior Vice President and Secretary of said corporation; that said Agreement was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

(Corporate Seal)

Signature: Daniel W. O'Bryan

NOTE--Bank Repository, if a corporation, should cause the following certificate to be executed under its corporate seal, provided that the same officer shall not execute both the Agreement and the Certificate.

CERTIFICATE

I, M. Theresa Parry, certify that I am the corporate officer of the corporation named as Bank Depository herein: that Sharon K. Richard, who signed this Agreement on behalf of the Bank Depository was then Vice President of said corporation, the said Agreement was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of corporate powers.

(Corporate Seal)

Signature: M. Theresa Parry